

CREDIT OPINION

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New Issue

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San Diego Public Facilities Fin. Auth., CA

New Issue - Moody's Assigns P-1 to San Diego Public Facilities Fin. Authority CP Series A & B

Summary Rating Rationale

Moody's Investors Service has assigned P-1 ratings to the Public Facilities Financing Authority (Authority) of the City of San Diego Subordinated Water Revenue Commercial Paper Notes Series A and Series B (collectively, the Notes). The Series A Notes are supported by a letter of credit (LOC) from Bank of the West (BOTW). The Series B Notes are supported by a LOC from Bank of America, N.A. (BoFA and, together with BOTW, the Banks).

The ratings on the Notes are based upon the LOCs, the structure and legal protections of the transactions, which provide for timely payment of principal and interest to Note holders, and Moody's evaluation of the credit quality of the banks issuing the LOCs. Moody's currently rates BOTW's and BofA's long-term and short-term counterparty risk assessments (CR Assessments) A1(cr) and P-1(cr), respectively.

Exhibit 1

TRANSACTION SUPPORT SUMMARY

	Series A	Series B
Support Provider	Bank of the West	Bank of America, N.A.
Support Type	Direct Pay Letter of Credit	Direct Pay Letter of Credit
Support Provider CR Assessment		
Long Term	A1(cr)	A1(cr)
Short Term	P-1(cr)	P-1(cr)
Support Expiration Date	31-Jan-20	31-Jan-19

Factors that Could Lead to an Upgrade

» Not applicable.

Factors that Could Lead to a Downgrade

» The rating on the Notes would be downgraded if Moody's were to lower the short-term CR Assessments of the Banks.

Detailed Rating Considerations

The Notes

The Fifth Supplemental Indenture (Indenture) authorizes the issuance of up to \$250 million of Notes. The combined amount of Series A Notes & Series B Notes may not exceed \$250 million. The issuance amount of Series A, or of Series B, may not exceed the amount

provided for under the applicable LOC. The Notes may be issued on an interest-bearing or discount basis. The Issuing and Paying Agent (IPA), U.S. Bank National Association, will issue Notes upon receipt of issuance instructions from the Authority or its agent. Each Note issued must mature not later than the earlier of 270 days from the date of issuance or the date that is two business days prior to the stated expiration date of the applicable LOC.

Letters of Credit

The BOTW LOC is sized for \$77,712,329 which represents \$75,000,000 available for the payment of principal and \$2,712,329 available for interest, calculated using 120 days of interest at the maximum rate of 11% based upon a 365 day year. The BofA LOC is sized for \$181,328,768 which represents \$175,000,000 available for the payment of principal and \$6,328,768 available for interest, calculated using 120 days of interest at the maximum rate of 11% based upon a 365 day year. Conforming draws for the payment of principal and interest received by BOTW by 9:00 a.m. (Los Angeles, California time) will be paid no later than 12:00 p.m. (Los Angeles, California time) on the same business day. Conforming draws for the payment of principal and interest received by BofA by 12:00 p.m. (Scranton, Pennsylvania time) will be paid no later than 3:00 p.m. (Scranton, Pennsylvania time) on the same business day.

Drawings on the LOCs will be reinstated upon receipt by the Banks of rollover proceeds from the IPA or reimbursement proceeds from the Authority.

In the event of a default under the applicable reimbursement agreement, each Bank may, at their option, send either a Notice of No Issuance or a Final Drawing Notice to the IPA. Upon receipt of a Final Drawing Notice, the IPA will cease issuing the affected Series of Notes and shall immediately, but in any event no later than the business day immediately preceding the termination date of the LOC, draw in an amount sufficient to provide for the payment of principal plus interest to accrue to the maturity for all of the affected Series of Notes outstanding. The IPA shall hold such LOC funds uninvested to pay the affected Series of Notes as they mature. Upon the receipt of a Notice of No Issuance, the IPA shall cease issuing the affected Series of Notes and continue to draw on the applicable LOC as such Notes mature. In the event of a Notice of No Issuance, the LOCs remain in place to the final maturity of all Notes outstanding.

In the event of a default under the Indenture, the Notes may be accelerated by the Trustee. Upon receipt of notice of acceleration from the Trustee, the IPA is instructed to thereupon draw on the LOCs in an amount sufficient to provide for the payment of principal plus interest due on the Notes.

Each LOC shall terminate at 5:00 p.m. (Eastern Time) on the earliest of: (i) the stated expiration date; (ii) the later of the date the applicable Bank receives notice of substitution of the LOC or the effective date of a substitution, after the Bank honors any properly presented and conforming draw, if any, on such date; (iii) the date on which the applicable Bank receives a termination certificate from the IPA because no Notes of the applicable Series remain outstanding; (iv) the earlier of (a) the 15th calendar day (or if such date is not a business day, the immediately succeeding business day) after the effective date of the Final Drawing Notice from the Bank, and (b) the date on which the drawing resulting from the delivery of the Final Drawing Notice is honored by the Bank; or (v) the date on which the Acceleration Drawing is honored.

The LOCs may be substituted provided that on or prior to the effective date of the substitution the Notes supported by the LOCs are paid or defeased. Defeasance of the Notes requires prior written notice from each rating agency then rating such Notes that the then-existing rating on the Notes will not be reduced or withdrawn as a result of such defeasance.

Methodology

The principal methodology used in this rating was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit backed, Insured and Guaranteed Debts published in December 2015. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

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